

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AS-01 CU-02 ERDA-05 AID-05
CEA-01 CIAE-00 COME-00 EPG-02 DODE-00 EB-07
FEAE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00
NSC-05 OMB-01 PM-04 USIA-06 OES-07 SP-02 SS-15
STR-04 TRSE-00 ACDA-07 PRS-01 PA-01 NAS-01 AGRE-00
/116 W

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R 080855Z JUL 77

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 5660

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY RANGOON

AMEMBASSY ROME

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO 1521

USLO PEKING

COMUSTDC

CINCPAC

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CINCPAC FOR POLAD

EO 11652: N/A

TAGS: ECON, TGEN, CH

SUBJECT: PRC BI-WEEKLY ECONOMIC HIGHLIGHTS NO. 7

1. FORMATION OF ECONOMIC REGIONS BEGINS

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CHINA'S POST-MAO LEADERSHIP APPEARS IN THE EARLY STAGE OF
FORMALLY ESTABLISHING THE SIX REGIONAL ECONOMIC ZONES
REFERRED TO BY YU CHIU-LI IN HIS REPORT TO THE TACHING
INDUSTRIAL CONFERENCE. A JULY 2 JUNAN PROVINCE RADIO
BROADCAST MENTIONED A SPEECH ON CHEMICAL AND OIL REFINING
BY AN OFFICIAL DESCRIBED AS A LEADER OF THE CENTRAL-

SOUTH WORK GROUP OF THE MINISTRY OF PETROLEUM AND CHEMICAL INDUSTRIES. THIS IS THE FIRST REFERENCE TO A SPECIFIC ECONOMIC REGION BY THE CHINESE SINCE THE REGIONAL STRUCTURE IN CHINA WAS ABOLISHED IN 1967.

THE ZONES WERE CREATED TO DISTRIBUTE INDUSTRIAL CAPACITY EVENLY THROUGHOUT THE COUNTRY, FOR REGIONAL SELF-SUFFICIENCY AND TO ATTEMPT TO BENEFIT FROM ECONOMICS OF SCALE IN CONSTRUCTING NEW INDUSTRIES THAT ARE TOO CAPITAL-INTENSIVE TO BE BUILT ON A PROVINCIAL SCALE.

HUNAN RADIO'S REFERENCES TO THE CENTRAL-SOUTH WORK GROUP OF THE MINISTRY OF PETROLEUM AND CHEMICAL INDUSTRIES IS ALSO AN INDICATION THE ECONOMIC ZONES MAY BE ESTABLISHED WITHOUT THE FORMAL ORGANIZATION AND BUREAUCRACY OF THE EARLIER REGIONAL SETUP. THIS FURTHER SUGGESTS THAT REGIONAL ECONOMIC PLANNING AND COORDINATION WITHIN EACH ECONOMIC REGION WILL BE HANDLED DIRECTLY FROM PEKING.

2. CHINA'S "NEW LEAP FORWARD" IN SCIENCE AND TECHNOLOGY

THE HUA ADMINISTRATION IS USING THE TERM "NEW LEAP FORWARD" TO DESCRIBE ITS POLICY OF MODERNIZING CHINA'S ECONOMY THROUGH THE ACCELERATED APPLICATION OF SCIENCE LIMITED OFFICIAL USE

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AND TECHNOLOGY AND SELECTIVE IMPORTS OF ADVANCED FOREIGN TECHNOLOGY. AN ARTICLE IN THE JUNE 30 PEOPLE'S DAILY MADE THIS DISTINCTION BETWEEN THE "NEW LEAP FORWARD" OF THE 1970'S AND THE DISASTROUS "GREAT LEAP FORWARD" OF THE LATE 1950'S. THE ARTICLE, WRITTEN BY A CHINESE ACADEMY OF SCIENCE'S TEAM, SAID "WE MUST BREAK CONVENTION AND ADOPT ADVANCED TECHNOLOGY AS MUCH AS POSSIBLE IN ORDER TO BUILD A MODERN AND POWERFUL SOCIALIST COUNTRY WITHIN THE NOT TOO DISTANT FUTURE." THIS IS WHAT WE MEAN BY "GREAT LEAP FORWARD." THE GOVERNMENT HAS RECENTLY BEEN PREPARING FOR THIS "NEW LEAP" IN SCIENCE BY HOLDING RALLIES IN THE PROVINCES, CONDUCTING SEMINARS ON TOPICS OF BASIC SCIENTIFIC RESEARCH, AND THE PUBLICATION IN THE PRESS OF A SPATE OF ARTICLES ON SCIENCE. A CHINESE-AMERICAN PHYSICIST, PROFESSOR JEN CHI-KUNG, AFTER RETURNING FROM A TWO AND ONE-HALF MONTH TRIP TO CHINA, ANNOUNCED LAST WEEK TO THE HONG KONG PRESS THAT HE HAD BEEN TOLD CHINA LATER THIS YEAR WILL CONVENE A NATIONAL CONFERENCE ON SCIENCE AND TECHNOLOGY ON THE SAME SCALE AS THE EARLIER TACHAI AND TACHING CONFERENCES ON AGRICULTURE AND INDUSTRY.

3. NEW MINISTER OF METALLURGICAL INDUSTRY

PETROLEUM EXPERT TANG KO EMERGED AS CHINA'S NEW MINISTER OF METALLURGICAL INDUSTRY AT A VENEZUELAN INDEPENDANCE DAY RECEPTION ON JULY 5 IN PEKING. TANG WAS APPOINTED VICE MINISTER OF FUEL AND CHEMICAL INDUSTRIES IN 1965. AFTER DROPPING OUT OF SIGHT DURING THE CULTURAL REVOLUTION, HE RE-EMERGED IN 1971 AS VICE MINISTER OF PETROLEUM AND CHEMICAL INDUSTRIES. AS THE NEW MINISTER OF METALLURGICAL INDUSTRY, TANG REPLACES CHEN SHAO-KUN, WHO HAS NOT APPEARED IN PUBLIC SINCE MAO'S FUNERAL LAST YEAR.

GIVEN THE CURRENT EMPHASIS ON PROMOTING BASIC LIMITED OFFICIAL USE

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INDUSTRY, A PRIME REASON FOR CHEN'S REMOVAL WAS NO DOUBT THE POOR PERFORMANCE OF THE METALLURGICAL INDUSTRIES DURING THE PAST TWO YEARS. FOLLOWING A LONG PERIOD OF GROWTH, PRODUCTION IN THESE INDUSTRIES BEGAN TO DECLINE IN 1974. THE IRON AND STEEL INDUSTRY, IN PARTICULAR, WAS PROBABLY ONE OF THE WORST HIT AREAS OF THE ECONOMY IN 1976, WITH OUTPUT DECLINING AS MUCH AS 15-20 PERCENT BELOW 1975'S ESTIMATED 26 MILLION TONS. CROSS

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